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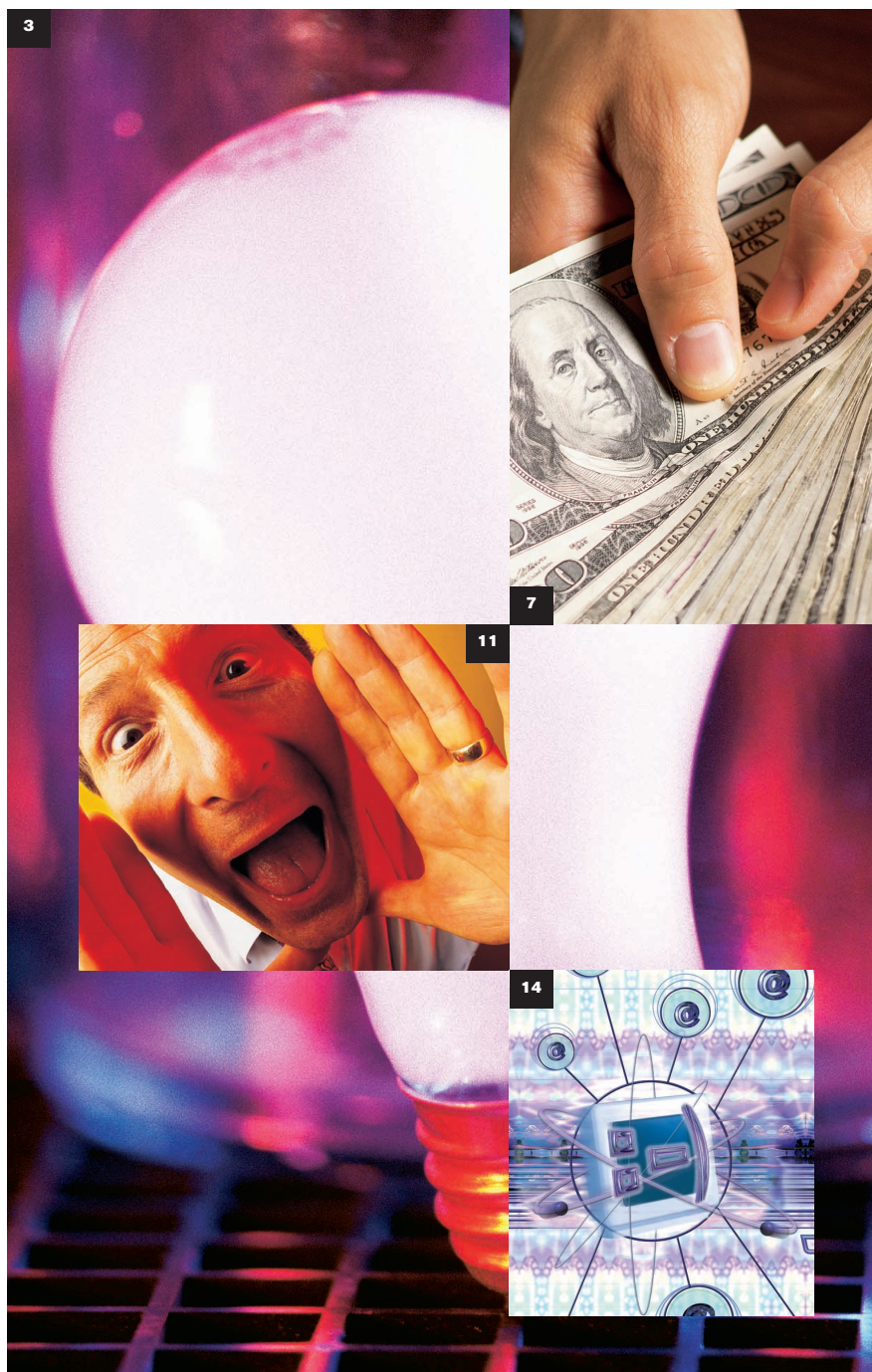
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Entrepreneur's

Instant Start-Up Guide

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What's the Big Idea?

Getting an idea for your business: It's not as hard as you think.

MANY PEOPLE think it's "oh so mysterious" to start a business. As the editorial director of *Entrepreneur* magazine, I often hear "I can't do it" or "I have no idea what to do." Nonsense!

Most people are overwhelmed by the belief they have to start from scratch. They think "What can I do that no one has ever done before?" In other words, they think they have to reinvent the wheel.

But unless you are a technological genius, trying to reinvent the wheel is a big waste of time. If you are another Bill Gates or Steve Jobs, then this is the way to go. But for most people starting a business, they simply need to answer the question: "How can I do something better?" or "How can I do it differently from the other guy doing it over there?"

GET THE JUICES FLOWING

How do you start the idea process? First, take out a sheet of paper, and list five to seven things you like to do or that you are really good at, such as I am really good with people, I love kids, I love to read, I love computers and numbers, I'm good at coming up with marketing concepts. Just write down whatever comes to mind; it doesn't have to make sense.

Now list things that you don't think you are good at or you don't like to do. Maybe you are really good at marketing concepts, but you don't like to do public speaking or you don't want to travel. When you are finished with

both lists, ask yourself: "If there were three to five products or services that would make my personal life better, what would they be?" This is your personal life as a man, woman, father, husband, mother, wife, whatever your situation may be. Determine what products or services would make your life easier or happier, make you more productive or efficient, or simply give you more time.

Next, on the other side of the paper ask yourself the same question about your business life. Also examine what you like and dislike about your work life as well as what traits people like and dislike about you. Finally, ask yourself why you're seeking to start a business in the first place. Then, when you are done, look for a pattern to emerge (i.e., is there a need for a business doing one of the things you like or are good at?).

THEY DELIVERED

Let me give you an example. I live and work in Irvine, California. Most of the fast-food restaurants are located where the neighborhoods are. So in the office areas, there are not many easily accessible places to go during a lunch hour. Several years ago, two young men in Irvine found this lunch situation very frustrating. There weren't many affordable choices. Sure, there were some food courts located in strip centers, but the parking lots were really

THINKING IT THROUGH

Before you start a business, you have to look at what the potential is, what your product or service is, and if there is a lot of opportunity to make a good deal of money over the long run. Or is it a "hit-and-run" product, where you're going to get in, make a lot of money and then get out? That's not necessarily a bad thing; fads have made some entrepreneurs incredibly successful. But remember, once you're in business, one of the hardest things to do is to know when it's time to get out, to let go. And if you guess wrong, if you try to make a classic out of a fad, you are going to start losing all the money you have earned. And no one wants to do that.

IS IT REALLY YOU?

Every year in *Entrepreneur*, we profile the hottest businesses for the coming year. We do a lot of research and a lot of homework, and what we say is absolutely true. But that doesn't mean that it is true for everyone. After all, you may not be good at any of these businesses. Or you could live in an area where the business is already saturated or is not viable. Or they simply may not suit you and you'd end up hating your business. Just because you own a business doesn't mean you are going to like doing it, and if you don't like it, chances are you will fail at that venture.

Owning a business you hate is the same thing as having a job you hate. It's still hard to get out of bed in the morning, and you are just not going to do it as well. What all this means is that you need to come up with your ideas first and then assess your traits to see which ideas best suit you.

nearly impossible to get out, get lunch and get back in that time. So while these young entrepreneurs initially thought they were responding to a personal need in our area, they actually struck a universal chord.

That's one way to get ideas, listening to your own (or your co-workers', family's or neighbors') frustrations. If your brain is always set in idea mode, then ideas may come to you from just looking around or reading. For instance, if you read the article about the shrinking lunch hour, and if you were thinking entrepreneurially, you would say "Wow, maybe there is an opportunity there for me to do something."

MADE TO ORDER

Getting an idea can be as simple as keeping your eyes peeled for the latest "hot" business; they crop up all the time. One recent trend involved those paint-your-own ceramic studios. They started in the bigger cities, like New York, San Francisco and Seattle. And in the urban areas, they became very popular with young, single people. Some entrepreneurs even paired the concept with other entertainment businesses, like wine bars.

When these stores hit Irvine, a suburban family community, entrepreneurs aimed them at kids instead of the singles scene. On the week-

small and crowded, and the wait was horrendous.

One day, as they were lamenting their lunch problem, one of them said, "Wouldn't it be great if we could get some good food delivered?" The proverbial lightbulb went on! Then they did what too many people don't do: They did something about their idea. Coincidentally, they purchased one of our *Entrepreneur* business start-up guides and started a restaurant delivery business.

Today, their business boasts millions in sales. It's neither a complicated business nor an original one. Their competition has gotten stiffer, and yet they are still doing phenomenally well. And it all began because they listened to their frustrations and decided to do something about them. Recently, I read that one of the biggest complaints by American workers was the shrinking lunch hour. Some only get 30 minutes, making it

Bright Idea

Is there a household chore that drives you up the wall? (One shudders to think of life before vacuum cleaners.) Common sources of frustration or irritation are great idea generators.

Bright Idea

Your hobbies may lead you to business ideas. If tennis is your game, perhaps you can think of a product that makes serving a snap. If that sounds too technical, look around the courts and see if there's a service players would pay for.

ends, these places were occupied by dozens of little 10-year-old girls painting. Children have birthday parties at these stores; the studios attract Girl Scout troops.

My point: You can take any idea and customize it to your community. Add your own creativity to any concept. In fact, customizing a concept is not a choice; it's something you have to do if you want your business to be successful. You can't just take an idea, plop it down, and say "OK, this is it, and it's gonna fit." Outside of McDonald's or some other major franchise concepts, very few businesses will work with a one-size-fits-all approach.

One of the best ways to determine if your idea will work in your community is to talk to people who know. If it's a business idea, talk to co-workers and colleagues. Run ideas by your family or neighbors. Don't be afraid your friends will steal your idea; it's just not likely. All you have to do is ask!

SMART TIP

Don't overlook publications in your search for ideas. Books, newspapers and magazines all contain a wealth of ideas. Your reading list should include—but not be limited to—the latest business periodicals.

JUST DO IT!

Ideally, by now I have somewhat demystified the process of determining what business is right for you. Understand that business start-up is not rocket science. No, I'm not saying it's easy to begin a business. But it is not as complicated or as scary as many people think, either. It is a step-by-step, common-sense procedure. So take it a step at a time. First step:

Figure out what you want to do. Once you have the idea, talk to people to find out what they think. Ask "Would you buy and/or use this product or service, and how much would you pay?"

Understand that many around you will not encourage you to become an entrepreneur. Some will even discourage you. Some will tell you they have your best interests at heart; they just want you to see the reality of the situation. Some will envy your courage; others will resent you for having the guts to actually do something. You can't allow these naysayers to dissuade you, to stop your journey before it even begins.

One of the most common warnings you will hear is about the risk. Everyone will tell you it's a risk to start your own business. And sure, starting a business is risky, but what in life isn't. Plus, there's a difference between foolish risks and calculated ones. If you carefully consider what you're doing, get help when you need it, and never stop asking questions, you can mitigate your risk.

You cannot allow the specter of risk to stop you from going forward. Ask yourself "What am I really risking?" and assess the risk. What are you giving up? What will you lose if things don't work out? Don't risk what you can't afford. Don't risk your home, your family or your health. Ask yourself "If this doesn't work, will I be worse off than I am now?" If all you have to lose is some time, energy and money, then the risk is probably worth it.

Determining what you want to do is only the first step. You've still got a lot of homework to do. But do something. Don't sit back year after year and say "This is the year I'm going to start my business." Make this the year you really start it! —Rieva Lesonsky



Get With the Plan

How to create a winning business plan

SOME PEOPLE think you don't need a business plan unless you're trying to borrow money. But a business plan is much more than a pitch for financing; it's a guide to help you define and meet your business goals.

Just as you wouldn't start off on a cross-country drive without a road map, you shouldn't embark on your new venture without a

SMART TIP

Your local Small Business Development Center can help you with developing an outstanding, grade-A business plan. Call your area's SBA office to find the location nearest you.

business plan to guide you. A business plan won't automatically make you a success, but it will help you avoid some common causes of business failure, such as undercapitalization or lack of an adequate market.

As you research and prepare your business plan, you'll find the weak spots in your business idea that you'll be able to repair. You will also discover different areas with potential you may not have thought about before—and ways to profit from them. Only by putting together a thorough business plan can you decide whether your great idea is really worth your time and investment in the long run.

What is a business plan, and, more important, how do you put one together? Simply stated, a business plan conveys your business goals, the strategies

you'll use to meet them, potential problems that may confront your new business and ways to solve them, the organizational structure of your business (including titles and responsibilities), and, finally, the amount of capital required to finance your venture and keep it going until it breaks even. There are three parts to a business plan:

❶ **The first is the business concept**, in which you discuss the industry, your business structure, your particular product or service, and how you plan to make your business a success.

❷ **The second is the marketplace section**, in which you describe and analyze potential customers: who and where they are, what makes them buy and so on. Here, you also describe any

FINDING FUNDING

One of the primary purposes of a business plan is to help you obtain financing for your business. When writing your plan, however, it's important to remember who those financing sources are likely to be. Bankers, investors, venture capitalists and investment advisors are sophisticated in business and financial matters. How can you ensure your plan makes the right impression? Three tips are key:

1. Avoid hype. While many entrepreneurs tend to be gamblers who rely on their gut feelings to make decisions, financial types are more likely to go “by the book.” If your business plan praises your idea with superlatives like “one of a kind,” “unique” or “unprecedented,” readers from the financial world are likely

competition you face and how you will position yourself to beat it.

③ **Finally, the financial section** contains your income and cash-flow statement, balance sheet and other financial ratios, such as break-even analyses. This part may require help from your accountant and a good spreadsheet software program.

Breaking these three major sections down further, a business plan consists of six major components:

- ① Executive summary
- ② Management
- ③ Product or service
- ④ Marketing
- ⑤ Operations
- ⑥ Financial data

EXECUTIVE SUMMARY

The executive summary is a one- or two-page brief describing what the company's up to, and is usually the first thing the reader will see. It may contain details that aren't found elsewhere in the plan, such as a vision statement. But it will also encapsulate other sections of the plan dealing with the market, features of the product or service, competition, management team and financial data. Many plans written for money-raising purposes also include a statement of how much money the new business is seeking to raise and how those funds will be used in the future.

MANAGEMENT

The people, especially the key managers in your company, are of great interest to potential investors, partners and employees.

This section of your business plan will consist of brief descrip-

to be turned off. Wild, unsubstantiated promises or unfounded conclusions are indicators to financial sources you are inexperienced, naive and reckless.

2. Polish the executive summary. Potential investors receive so many business plans, they cannot afford to spend more than a few minutes evaluating each one. If at first glance your proposal looks dull, poorly written or confusing, investors will toss it aside without a second thought. In other words, if your executive summary doesn't grab them right away, you won't get a second chance.

3. Make sure your plan is complete. Even if your executive summary sparkles, you need to make sure the rest of your plan is just as good and that all the necessary information is included. Some entrepreneurs are in such a hurry to get financing, they submit a condensed or preliminary business plan, promising to provide more information if the recipient is interested. This approach usually backfires for two reasons: First, if you don't provide information upfront, investors will assume the information doesn't exist yet and that you are stalling for time. Second, even if investors are interested in your preliminary plan, their interest may cool in the time it takes you to compile the rest of the information.

When you're presenting a business plan, always keep in mind that you are starting from a position of weakness. And if potential investors find any flaws in your plan, they will gain an even greater bargaining advantage. A complete and well-written plan gives you greater negotiating power and boosts your chances of getting financing on your own terms.



tions of your primary managers, including an overview of their backgrounds and functions in your organization. You should also provide pertinent coverage of pivotal positions, such as the vice president of R&D in a high-tech company, in addition to more mundane functions, including CFO, controller and so on.

Plan readers will want to see evidence of a well-rounded management team that can deal with whatever comes up. You may want to include an organizational chart that graphically depicts individual responsibilities and who reports to whom.

PRODUCT OR SERVICE

This is the place to explain all the key elements of the product or service, including its design, underlying technology and, especially, competitive advantages in the marketplace.

MARKETING

Without an effective marketing plan, it's highly unlikely that you will sell anything, so this section of your plan is the place to tell readers about your plans for positioning, pricing, placing and promoting your product or service to potential customers.

OPERATIONS

Wal-Mart didn't become the world's largest retailer because it snagged the best locations or hired the best ad agencies. It beat out other discount retailers because of its extremely efficient systems for stocking and distributing the most profitable products in the most profitable manner.

It may be the case that your business is based largely on some aspect of its operations—manufacturing, logistics, customer service, etc.—that plan readers will want to know about.

FINANCIAL DATA

In the financial section you'll provide your income statements, balance sheets, cash-flow statement and other information on the money side of things. It's important, of course, that the final result be some kind of profit. But internal consistency is also imperative. If you don't stick to your assumptions about profit margins, selling prices, materials costs or other key measures throughout this section, it will show up immediately.

For some readers, such as bankers looking for balance sheet assets to collateralize a loan, the financial section may be the most important part of the plan. For others, such as employees looking for a great place to work, it's the least interesting. But it's actually of prime importance for everybody, because this section is where you'll distinguish a business from a mere hobby. If the numbers add up to a reasonable return on your investment, congratulations. Your business has a reasonable chance of succeeding.

Bright Idea

Still need another reason to write a business plan? Consider this: If you decide to sell your business in the future, or if you become disabled or die and someone else takes over, a written business plan will help make the transition a smooth one.



LEARNING THE LOAN LINGO

Hallelujah and yippee! You can almost hear the choirs of angels singing as your banker smiles and hands you the loan document. You got the loan!

Not so fast. Before you sign that piece of paper, take a good look at what you're getting into. Many entrepreneurs are so excited about having their loans approved, they fail to read the fine print on their loan agreements. That can lead to trouble later on.

It's a good idea to get the loan documents ahead of time so you have a chance to review them for a couple of days before it's time to sign, according to the American Banker's Association. Bankers won't have a problem sending advance copies of the documents but will generally do so only if you specifically ask for them.

Most bankers will be happy to help you understand the fine print, but it's also a good idea to have your accountant and lawyer review the documents, too.

Although it varies slightly from bank to bank, a small-business loan package usually consists of several documents, typically including a loan agreement, a promissory note, and some form of guarantee and surety agreement.

•**Loan agreement:** This specifies, in essence, the promises you are making to

Where's the Money?

Finding financing to get your business up and running

ONCE YOU'VE decided on the type of business you want to start, the next step is figuring out where the money will come from to fund it. Where to begin?

Begin by taking a look in the mirror. Self-financing is the number-one form of financing used by most small-business owners. In addition, when your search for funding takes you to other financing sources such as bankers, they will want to know exactly how much of your own money you are putting into the venture. After all, if you don't have enough faith in your business to risk your own money, why should other people risk theirs?

SMART TIP

For the SBA's list of small-business-friendly banks by state, visit www.entrepreneur.com/bestbanks to find top lenders and other financial tools and services, or get it straight from the SBA at www.sba.gov/advo/stats/lending.

Begin by doing a thorough inventory of your assets. You are likely to uncover resources you didn't even know you had. Assets could include savings accounts, equity in real estate, retirement accounts, vehicles, recreational equipment and collections. You may de-

cide to sell some assets for cash or to use them as collateral for a loan.

If you have investments, you may be able to use them as a start-up resource. Also take a look at any personal lines of credit you have. Some businesses have successfully been started on their founders' credit cards, although this is one of the most expensive ways to finance yourself.

If you own a home, consider getting a home equity loan on the part of the mortgage that you have already paid off. The bank will either provide a lump-sum loan payment or extend a line of credit based on the equity in your home.

Consider borrowing against cash-value life insurance. You can use the value built up in a cash-value life insurance policy as a ready source of cash.

If you have a 401(k) retirement plan through your employer and are starting a part-time business while you keep your full-time job, consider borrowing against the plan. Another option is to use the funds in your IRA.

the bank and asks you to affirm that you are authorized to bind your business to the terms of the loan. Most banks require you to verify that all the information on your loan application is still true before they disburse the loan.

•**Promissory note:** This details the principal and interest owed, and when payments are due. It outlines the events that would allow the bank to declare your loan in default. Knowing these events ahead of time can help you protect your credit record. Look for “cure” language in the default section. A cure provision allows you a certain amount of time (usually 10 days) to remedy the default after you’ve been notified by the bank. If such a provision isn’t included, ask if it can be added to prevent you from defaulting accidentally (in case a payment is lost in the mail, for example). Also make sure you understand what the bank can and can’t do after declaring default.

•**Guarantee and surety agreement:** Because start-ups generally have insufficient operating history or assets on which to base a loan, banks usually require the loan to be guaranteed with your personal assets. The bank may ask you to secure the loan with the equity in your home, for example.

plain the plan in detail and do the presentation just as you would in front of a banker or other investor. Your goal is to get the other person on your side and make him or her as excited as you are about your business.

Once the person says yes, it’s time to put the loan in motion. First, you must state exactly how much money you need, what you’ll use it for and how you’ll pay it back. Next, draw up the legal papers—an agreement stating that the person will indeed put money into the business.

Your loan agreement needs to specify whether the loan is secured (that is, the lender holds title to part of your property) or unsecured, what the payments will be, when they’re due and what the interest on the loan is. If the money is in the form of an investment, you have to establish whether the business is a partnership or corporation and exactly what role, if any, the investor will play in the proposed business. Most important, you need to outline the legal responsibilities of both parties and when and how the money should be paid back.”

ALL IN THE FAMILY

Your own resources may not be enough to give you the capital you need. “Most businesses are started with money from four or five different sources,” says Mike McKeever, author of *How to Write a Business Plan* (Nolo Press). After self-financing, the second most popular source for business start-up money is composed of friends, relatives and business associates.

While squeezing money out of family and friends may seem an easy alternative to dealing with uptight bankers, it can actually be a much more delicate situation. Your family members or friends may think lending you money gives them license to meddle. And if the business fails, the issue of paying the money back can be a problem that puts the whole relationship in jeopardy.

Fortunately, there are ways to work out the details and make the business relationship advantageous for all parties involved.

Once you have determined whom you would like to borrow the money from, you need to make sure the person is well-informed, which starts with showing them your business plan. Ex-

Bright Idea

Looking for financing? Consider an unexpected source—your vendors. Vendors may be willing to give you the capital you need, either through a delayed financing agreement or a leasing program. Vendors have a vested interest in your success and belief in your stability, or they wouldn’t be doing business with you. Before entering any agreement, however, compare long-term leasing costs with short-term loan costs; leasing could be more costly.

A LOAN BY ANY OTHER NAME

The third most popular form of financing is getting a loan from a bank or commercial lender. You don’t need to pinpoint the exact type of loan you need before you approach a lender; he or she will help you decide what type of financing is best for your needs. However, you should have some general idea of the different types of loans available so you’ll understand what your lender is offering. Here are some of the most common types of loans:

■ **Line-of-credit loans:** A line-of-credit loan is a short-term loan that extends the cash available in your business’s checking account to the upper limit of the loan contract. Line-of-credit loans usually carry the lowest interest rate a bank offers since they are seen as fairly low-risk. Bankers may also call this a revolving line of credit. Most line-of-credit loans are written for periods of one year and may be renewed almost automatically for an annual fee.

■ **Installment loans:** These loans are paid back with equal monthly payments covering both principal and interest.

■ **Balloon loans:** Though these loans are usually written under another name, you can identify them by the fact that the full amount is received when the contract is assigned, but only the interest is paid off during the life of the loan, with a “balloon” payment of the principal due on the final day.

■ **Secured and unsecured loans:** Loans can come in one of two forms: secured or unsecured. When your lender knows you well and is convinced that your business is sound and that the loan will be repaid on time, he or she may be willing to write an unsecured loan. Such a loan, in any of the aforementioned forms, has no collateral pledged as a secondary payment source should you default on the loan. As a new business, you are unlikely to qualify for an unsecured loan; it generally requires a track record of profitability and success.

A secured loan, on the other hand, requires some kind of collateral but generally has a lower interest rate than an unsecured loan.

SMART TIP

You don’t necessarily need a lawyer to write your loan agreement. You can find examples of loan agreements in many business books; just write up the same information, complete it and sign it. If you do decide to get legal advice, you can save money by drawing up the loan agreement yourself and then giving it to an attorney to redraft.

TO THE SOURCE

When seeking debt financing, where do you begin? Carefully choosing the lenders you target can increase your odds of success. Here is a look at what you should know about banks and commercial loan sources.

Given the challenges of working with a big bank, many entrepreneurs are taking a different tack. Instead of wooing big institutions, they are courting community banks, where “relationship banking” is the rule, not the exception.

SMART TIP

There are more resources available at the SBA than just loans. To get the whole scoop, locate the SBA office nearest you at www.sba.gov/regions/states.html. While you're there, you can also explore what the Small Business Development Centers have to offer at www.sba.gov/SBDC.

functions that local bankers or other movers and shakers participate in. After all, a banker who takes a personal interest in you is more likely to look favorably on your loan application.

Boost your chances of getting a loan by finding a lender whose experience matches your needs. Talk to friends, lawyers or accountants, and other entrepreneurs in the same industry for leads on banks that have helped people in your business. Pound the pavement and talk to banks about the type and size of loans they specialize in. Put in the work to find the right lender, and you'll find it pays off.

Banks aren't your only option when seeking a loan. The advantage of approaching commercial finance companies is that, like community banks, they may be more willing to look beyond numbers and assets.

Commercial lenders require a business plan, personal financial statements and cash-flow projections, and will usually expect you to come up with 25 percent of the needed capital yourself. For more information about commercial finance companies, visit the Commercial Finance Association's Web site at www.cfa.com.

Even given today's banking climate, it's easier to get a start-up loan from community banks, according to the Independent Community Bankers Association of America. They can be a little more flexible, don't have a bureaucracy to deal with, and are more apt to make character loans.

Whether the bank you target is big or small, perhaps what matters most is developing relationships. If you've done your personal banking at the same place for 20 years and know people who have authority there, it makes sense to target that bank as a potential lender. If you don't have that kind of relationship, start getting to know bankers now. Attend chamber of commerce meetings, go to networking events and take part in community

WHAT ARE YOU LOOKING AT?

What are lenders really looking for when they pore over your loan application? Lenders (particularly bankers) typically base their decisions on four criteria, often called the "Four C's of Credit":

① **Credit:** The lender will examine your personal credit history to see how well you've managed your past obligations. If you have some black marks on your record, the lender will want to hear details.

② **Character:** Character is hard to measure, but lenders will use your credit history to assess this as well. They take lawsuits, tax liens and bankruptcies pretty seriously. They'll also do a background check and evaluate your previous work experience.

③ **Capacity:** What happens if your business slumps? Do you have the capacity to convert other assets to cash, either by selling them or borrowing against them? Your secondary repayment sources may include real estate, stocks and other savings. The lender will look at your business balance sheet and your personal financial statement to determine your capacity to repay the loan.

④ **Collateral:** As a start-up, you'll probably be seeking a secured loan. This means you must put up collateral—either personal assets, such as certificates of deposit or stocks, or business assets like real estate, inventory or equipment.

IN TRAINING

If you have been laid off or lost your job, another source of start-up capital may be available to you. Some states have instituted self-employment programs as part of their unemployment insurance systems.

People who are receiving unemployment benefits and who meet certain requirements are recruited into entrepreneurial training programs that show them how to start businesses. This gives them an opportunity to use their unemployment funds for start-up, while boosting their chances of success.

Contact the department in your state that handles unemployment benefits to see if such a program is available.

UNCLE SAM WANTS YOU

Where can you go when private financing sources turn you down? For many start-up entrepreneurs, the answer is the SBA. The federal government has a vested interest in encouraging the growth of small business. As a result, some SBA loans have less stringent requirements for owner's equity and collateral than do commercial loans, making the SBA an excellent financing source for start-ups. In addition, many SBA loans are for smaller sums than most banks are willing to lend.

Of course, that doesn't mean the SBA is giving money away. In fact, the SBA does not actually make direct loans; instead, it provides loan guarantees to entrepreneurs, promising the bank that it will pay back a certain percentage of your loan if you are unable to.

The SBA can help you prepare your loan package, which you then submit to banks. If the bank approves you, it submits the package to the SBA. Applications submitted by regular lenders are reviewed by the SBA in an average of



INFORMATION, PLEASE

The U.S. Business Advisor (www.business.gov) is an online clearinghouse for small businesses. Instead of contacting dozens of agencies, you can use this one-stop shop to find information on business development, taxes and laws, and a variety of workplace concerns, as well as government procurement and loans.

tions. If you own 20 percent or more equity in the business, the SBA asks that you personally guarantee the loan. The SBA offers a variety of loan programs for businesses at various stages of development. Here's a closer look:

7(A) LOAN GUARANTY PROGRAM

The biggest and most popular of the SBA's loan programs is the 7(a) Loan Guaranty Program. The SBA guarantees up to \$1 million or 75 percent of the total loan amount, whichever is less. For loans less than \$150,000, the guarantee usually tops out at 85 percent of the total loan. SBA policy prohibits lenders from charging many of the usual fees associated with commercial loans. Still, you can expect to pay a one-time guarantee fee and a yearly servicing fee.

LOWDOC PROGRAM

The 7(a) program also offers several specialized loans. One of them, the LowDoc Program, promises quick processing for amounts less than \$150,000. "LowDoc" stands for "low documentation," and approval relies heavily on your personal credit rating and your business's cash flow.

Applicants seeking less than \$50,000 are required to complete only a one-page SBA form. Those seeking up to \$150,000 submit the same short form, plus supply tax returns for the previous three years and financial statements from all guarantors and co-owners.

The reduced paperwork makes the process easier for banks, too; consequently, banks are more willing to make the small loans. The SBA aims for a two-day turnaround on these loan requests.

SBAEXPRESS

The SBAExpress also offers loans of up to \$250,000. However, you get an answer even more quickly because approved lenders can use

two weeks, certified lender applications are reviewed in three days, and preferred lenders move even faster.

The most basic eligibility requirement for SBA loans is the ability to repay the loan from cash flow, but the SBA also looks at personal credit history, industry experience or other evidence of management ability, collateral and owner's equity contribu-

Bright Idea

While not many grants are available to start-ups, community development grants are worth a look. If you believe your future business could contribute to community development or empower a group of economically disadvantaged people, visit your state economic development office to find out what types of grants may be available.

their own documentation and procedures to attach an SBA guarantee to an approved loan without having to wait for SBA approval. The SBA guarantees up to 50 percent of SBAExpress loans.

PREQUALIFICATION PROGRAMS

The SBA's Minority and Women's Prequalification Loan Programs help women and minority entrepreneurs prequalify for loans. Women can apply for loans up to \$250,000; under the minority program, you can get up to \$250,000 or more on a case-by-case basis. If the SBA approves your application, it issues a prequalification letter you submit to the bank with your loan package. With the SBA's guarantee attached, the bank is more likely to approve your application.

MICROLOAN PROGRAM

The Microloan Program helps entrepreneurs get small loans, ranging from as little as \$100 to \$35,000. Maturity terms and interest rates for Microloans vary; the loans typically take less than a week to process.

SBICS AND SSBICS

Another source of financing: Small Business Investment Companies (SBICs). SBICs are privately owned venture-capital firms, licensed by the SBA, that invest their own capital, along with money they've borrowed at favorable rates from the government. If you don't mind giving up some equity, it pays to investigate SBICs.

Related to SBICs are Specialized Small Business Investment Companies (SSBICs), which serve socially and economically disadvantaged entrepreneurs by investing in companies in economically depressed areas and those owned by women and minorities.

8(A) PROGRAM

The SBA's 8(a) program is a small-business set-aside program that gives certified MBEs (Minority Business Enterprises) access to government contracts, as well as management and technical assistance. The 8(a) program is envisioned as a starter program for minority businesses, which must leave the program after nine years. Entrepreneurs who participate in the 8(a) program are eligible for the 7(a) Loan Guaranty and Minority Prequalification programs.

MAKING THE MOST OF THE SBA

The SBA is more than a source of financing. It can help you with many aspects of business start-up. For more information, visit the SBA's Web site at www.sbaonline.sba.gov, call the SBA's Answer Desk at (800) U-ASK-SBA or contact your local SBA district office. Each state has at least one district office, which can mail you a start-up booklet and a list of lenders and inform you about specialized loans tailored to your industry.



Bright Idea

Check out the SBA's Women's Business Center, a Web site for women who want to start or expand their businesses. There's free online counseling and a world of information about business practices, management techniques, technology training, market research and SBA services. Visit the site at www.onlinewbc.gov.



Spread the Word

How to promote your business

JUST WHAT is public relations? And how does it differ from advertising? When you advertise, you pay to have your message placed in a newspaper, on TV or on the radio. In public relations, the article featuring your company is not paid. The print or broadcast reporter writes about or films your company as a result of information he or she received and researched.

Publicity is more efficient than advertising for several reasons. First, publicity is far more cost-effective. Even if it isn't free, your only expenses are generally phone calls and mailings to the media. Second, publicity has greater longevity than advertising. An article about your business will be remembered longer than an ad.

SMART TIP

Find out the time frame in which the media publication you are interested in works.

Magazines, for example, typically work several months in advance, so if you want to get a story about your business in the December issue, you may need to send in your idea in June.

Publicity also reaches a much wider audience than advertising generally does. Sometimes, your story might be picked up by the national media, spreading the word about your business all over the country.

Finally, and most important, publicity has greater credibility with the public than advertising. Readers feel that if an objective third party—the magazine, radio or newspaper reporter—is featuring your company, you must be doing something worthwhile.

Why do some companies succeed in generating publicity while others don't? It has been proved time and

time again that no matter how large or small your business, the key to securing publicity is identifying your target market and developing a well-planned public relations campaign. To get your company noticed, follow these steps.

① **Write your positioning statement.** This sums up in a few sentences what makes your business different from the competition.

② **List your objectives.**

What do you hope to achieve for your company through the publicity plan you put into action? List your top five goals in order of priority. Be specific and always set deadlines.

③ **Identify your target customers.** For example, are they male or female? What is their age range? What are their lifestyles, incomes and buying habits? Where do they live?

④ **Identify your target media.** List newspapers and TV and radio programs that would be appropriate outlets. Make a complete list of the media you want to target, then call them and ask who you should contact regarding your area of business. Identify the specific reporter or producer covering your area so you can contact him or her directly. Your local library has media reference books that list

MEET THE PRESS

Think of a press release as your ticket to publicity—one that can get your company coverage in all kinds of publications or on TV and radio stations. Editors and reporters get hundreds of press releases a day. How to make yours stand out?

First, be sure you have a good reason for sending a press release. A new product, a grand opening, a record-setting sales year, a new location or a special event are all good reasons.

Second, make sure your press release is appropriately tailored for your target publication or broadcast program. The editor of *Road & Track* is not going to be interested in the new baby pacifier you've invented. It sounds obvious, but many entrepreneurs make the mistake of randomly sending press releases without considering a publication's audience.

Your press release should follow the standard format: typed and double-spaced on white letterhead with a contact person's name, title, company, address and phone number in the upper right-hand corner. Below this information, put a brief, eye-catching headline in bold type. A dateline—for example, "Los Angeles, California, January 2, 2004"—leads into the first sentence of the release.

Limit your press releases to one or two pages at most. It should be just

long enough to cover the six basic elements: who, what, when, where, why and how. The answers to these six questions should be mentioned in order of importance to the story to save the editor time and space.

Don't embellish or hype the information. Remember, you are not writing the article; you are merely presenting the information and showing why it is relevant to that publication. Pay attention to grammar and spelling. Competition for publicity is intense, and a press release full of typos or errors is more likely to get tossed aside.

Some business owners use gimmicks to get their press releases noticed. In most cases, this is a waste of money. If your release is well-written and relevant, you don't need singing telegrams or a bouquet of flowers to get your message across.

If you have the money to invest, you may want to try sending out a press kit. This consists of a folder containing a cover letter, press release, your business card, and photos of your product or location. You can also include other information that will convince reporters your business is newsworthy: reprints of articles other publications have written about your business, product reviews, or background information on the company and its principals. If you do choose to send out a press kit, make sure it is sharp and professional-looking, and that all its graphic elements tie in with your company's logo and image.

financial planner, I can offer your readers 20 tips to start them on the road to a financially comfortable retirement." Make your letter no longer than one page, and include your telephone number so the reporter can contact you.

If appropriate, include a press release with your letter (see "Meet the Press" on page 11). Be sure to include your positioning statement in any correspondence or press releases you send.

7 Follow up. Following up is the key to securing coverage. Wait

contact names and numbers. Make your own media directory listing names, addresses and phone and fax numbers. Separate TV, radio and print sources. Know the beats covered by different reporters so you can be sure to pitch your ideas to the appropriate person.

5 Develop story angles you'd want to read in the newspaper or see on television. Keeping in mind the media you are approaching, make a list of ideas you can pitch to them.

If you own a clothing store, for example, you could alert the local media to a fashion trend in your area. What's flying out of your store so fast you can't keep it in stock? If it's shirts featuring the American flag, you could talk to the media about the return of patriotism. Then arrange for a reporter to speak with some of your customers about why they purchased that particular shirt. Suggest the newspaper send a photographer to take picture of your customers wearing the shirts.

6 Make the pitch. Put your thoughts on paper and send a "pitch letter" to the reporter. Start with a question or an interesting fact relating your business to the target medium's audience. For instance, if you were writing for a magazine aimed at older people, you could start off with: "Did you know over half of women age 50 and older have not begun saving for retirement?" Then lead into your pitch: "As a certified financial planner, I can offer your readers 20 tips to start them on the road to a financially comfortable retirement." Make your letter no longer than one page, and include your telephone number so the reporter can contact you.

four to six days after you've sent the information, then follow up your pitch letter with a telephone call. If you leave a message on voice mail and the reporter does not call you back, call again until you get him or her on the phone. Do not leave a second message within five days of the first. If the reporter requests additional information, send it immediately and follow up to confirm receipt.

SPECIAL EVENTS

While the number of special event ideas is infinite, some general categories exist, such as:

1 Grand openings: You're excited about opening your new business. Everyone else will be, too . . . right? Wrong. You have to create the excitement, and a knockout grand opening celebration is the way to do it. Your event has to scream "We're better than, different from and more eager to serve you than our competitors. We want to get to know you and have you do business with us."

Be original. If you own an electronics store, open your doors with a remote control. If you're opening a yarn store, unravel a huge knitted ribbon. If you sell sporting goods, reel in both ends of an enormous bow until it is untied. Whatever your specialty, do something unusual, entertaining and memorable.

Also, think about other activities that go along with your grand opening. Design a terrific invitation, do plenty of publicizing, provide refreshments and entertainment, select a giveaway that promotes your business (and draws people into the store to get it), and incorporate ways of tracking who attended your event (contest en-

Bright Idea

Whenever possible, tie your business to a current event or trend. Does your product or service somehow relate to the Olympics, the presidential election, the environment, the hot movie of the moment? Whether you're planning a special event or just sending a press release, you can gain publicity by association.



SMART TIP

After you've finished talking to new people at a networking event, take a few seconds to jot down some pertinent information on the back of each contact's business card. This can be anything from their business's biggest problem to the college their son or daughter attends—whatever will give you a personalized “hook” to follow up with when you call later on.

make originality your motto. If the average December temperature in your city is a balmy 76 degrees, take a cue from your locale: Put antlers on pink flamingos and dress Santa in shorts and sunglasses.

③ **Co-sponsoring:** Partner with complementary businesses to host an event, or you can take part as a sponsor of an established charity or public cause. Keep in mind, however, that not every event is right for every business.

Think about how your company can benefit an event. If you're a florist, you could provide flowers for charity luncheons or galas. Whatever you do, be sure to promote it with press releases or a mention in the event's program.

④ **Games and contests:** From naming a mascot to guessing the number of jelly beans in a jar, contests attract attention. But they pay off only when properly promoted

and ethically managed. So be sure your prizes are first-rate and that you get the word out in a timely and professional manner.

NETWORKING

The ability to network is a crucial skill any start-up entrepreneur must have. How else will you meet the clients and contacts necessary to grow your business?

The trick with networking is to be proactive. This means taking control of the situation instead of just reacting to it. Networking requires going beyond your comfort zone and challenging yourself. Try these tips:

① **Set a goal to meet five (or more) new people at each event.** Whenever you attend a group, whether a party, mixer or industry luncheon, make a point of heading straight for people you don't know. Greet newcomers (they'll love you for it!). If you don't make this goal a habit, you'll naturally gravitate toward the same old acquaintances.

② **Try one or two new groups per month.** You

try forms, free newsletter subscriptions and so on).

② **Holidays and seasons:**

Some of the most common and easily developed special events are based on holidays. For example, during the Christmas season, Santa's Workshop can be found in thousands of communities, not just the North Pole. Or kick off the summer with a Beach Boys music marathon.

When planning an event tied to a holiday,

can attend almost any organization's meetings a few times before you must join. This is another way to stretch yourself and make a new set of contacts.

③ **Carry business cards everywhere.** You never know when you might meet a key contact, and if you don't have your cards, you lose. Take your cards to the gym, parties, the grocery store, even when you're walking the dog.

④ **Don't make a beeline for your seat.** Take advantage of networking time before you have to sit down. Once the meeting starts, you won't be able to mingle.

⑤ **Don't sit by people you know.** Mealtime is a prime time for meeting people. You may be in that seat for hours, so don't limit your opportunities by sitting with friends. Remember, you're spending precious time and money to attend this event.

⑥ **Get active.** People remember and do business with leaders. Don't just warm a chair; join a committee or become a board member. If you don't have time for that, volunteer to help with hospitality at the door or with checking people in. This

gives you a great reason to talk to others, gets you involved in the inner workings of the group, and provides you with more visibility.

⑦ **Be friendly and approachable.** Make people feel welcome. Find out what brought them there and see if there is any way you can help them. Introduce them to others, make business suggestions or give them a referral. What goes around comes around. If you make the effort to help others, you'll find people helping you.

⑧ **Set a goal for what you expect from each meeting.** Your goals can vary from meeting to meeting. Examples include learning about the speaker's topic, looking for new prospects, discovering industry trends or connecting with peers. If you work from home, you may find your purpose is simply to get out and talk to people face to face.

⑨ **Be willing to give to receive.** Networking is a two-way street. Don't expect new contacts to shower you with referrals and business unless you're equally generous. Follow up on contacts; keep in touch with them; and share information that might benefit them.

YOU'RE THE EXPERT

As an entrepreneur, it's your responsibility to get your business noticed—which means you've got to toot your own horn. You need to let others know that you exist and that you are an expert source of information about your industry.

• **Start by making sure you know everything you can about your business, product and industry.**

• **Contact experts in the field and ask them how they became experts.**

• **Talk to as many groups as possible.** Volunteer to talk to key organizations, service clubs and business groups free of charge.

• **Contact industry publications and volunteer to write articles, opinion pieces or columns.** (If you can't do that, write a letter to the editor.)

• **Offer seminars or demonstrations related to your business.**

• **Host (or be a guest on) a local radio or TV talk show.**

Do all this and, by the time you contact media people and present yourself as an expert, you'll have plenty of credentials.

Bright Idea

Capitalize on old-fashioned publicity stunts. No, you don't have to swallow goldfish or sit atop a telephone pole, but consider the landscaping company whose precision lawn-mowing team shows off its fancy footwork in local parades.

THE WORLD WIDE WAIT

Have you tried to visit a Web site and waited . . . and waited until something appeared on your screen? Industry gurus say that people won't wait more than 8 or 10 seconds for a site to load, but blame loading delays only partially on poor Web site design. Your customers' modem speed (or lack of it) can create the log jam as well.

The vast majority of computer users connect via dial-up access using a traditional analog modem. The modem converts digital signals from your computer into analog frequencies for outgoing data, and vice versa, at 56Kbps or lower, though 56Kbps is currently the standard.

When your customers dial to connect to the ISP, the modem contacts the phone line, which, in turn, contacts the ISP and, voila, they're connected. Make sure your Web site can be loaded in seconds with a 56Kbps modem.

Slow modems and graphics overload

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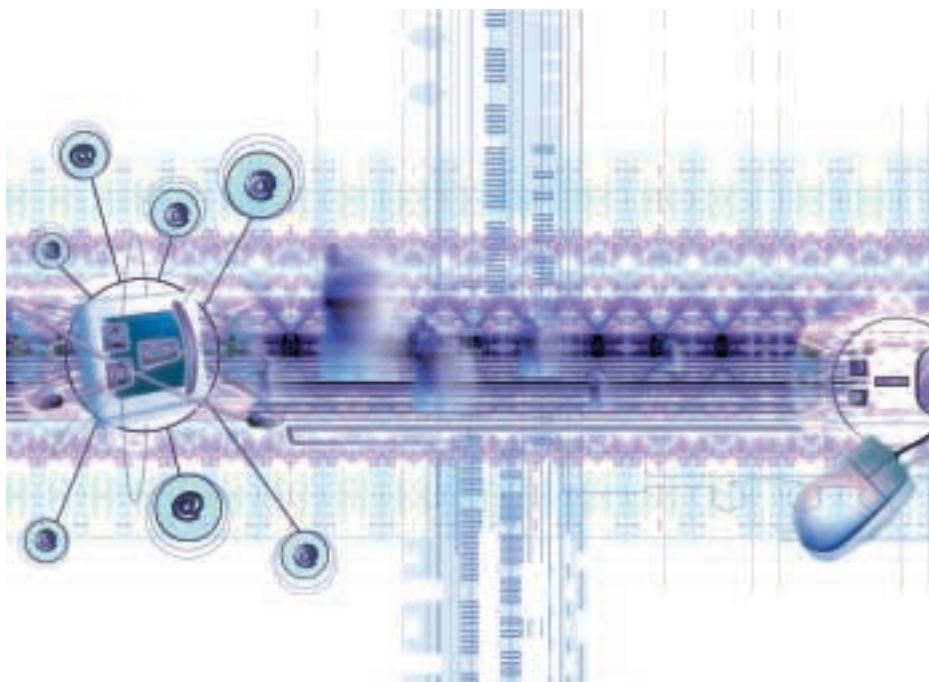
for information from millions of sources covering every subject under the sun. Advertising your product or service, showing potential customers your wares and allowing them to purchase immediately, doing test marketing, joining discussion groups with like-minded individuals, sending a monthly newsletter to customers, and linking with affiliated vendors are all part of what you can do with the Web. So the question isn't "if" you should embrace it but "how?"

THE NAME GAME

Your first to-do item is to make a list of possible Web site names. Then run, do not walk, to the nearest computer, log on to the Internet, go to your favorite search engine and type in "domain registration." For a modest fee (about \$35), you will find a list of companies such as www.networksolutions.com that will guide you through domain registration. One site that's particularly helpful is

Bright Idea

Although people have gotten increasingly comfortable with the Net as a secure place for credit card information, a little reassurance doesn't hurt. Have whoever sets up your shopping cart program provide a message to customers detailing your firm's policy on protecting their credit card information.



Net Works

Setting up your company Web site

WHY PUT your business online? Because the Net enlarges your business's realm of possibilities. It allows you to communicate with anyone anywhere (or thousands of people at once) with e-mail. You can search

Register.com because, like similar services, it tells you if the name you have chosen is taken, but it goes a step further by offering a list of alternative names that are still available. From the available names, choose one that is the easiest to spell and remember.

With your name established, you must make sure you've done everything offline to tell people about it. Every piece of paper should have your Web address on it, including business cards, brochures, letterhead, invoices, press releases and advertisements.

WEB SITE BASICS

Now you're ready for designing and building your Web site. What makes a good Web site? Before getting enmeshed in design details, get the big picture by writing a site outline. It's a misconception that you have to throw big dollars at an e-commerce solution. You just have to be a careful shopper for vendors. Having a detailed outline makes the process more efficient. A site outline should include five key areas.

1 Content: The key to a successful Web site is content. Give your site visitors lots of interesting information, incentives to visit and buy, and ways to contact you. Once your company's site is up and running, continually update and add fresh content to keep potential and existing customers coming back for more.

2 Structure: Next, structure your site. Decide how many pages to have and how they will be linked to each other. Choose graphics and icons that enhance the content.

Now organize the content into a script. Your script is the numbered pages that outline the site's content and how pages flow from one to the next. Page one is your home page, the first page that site visitors will see when they type in your URL. Arrange the icons depicting major content areas in the order you want them. Pages two

SMART TIP

Banks, credit card issuers, airlines and office supply stores cut deals with Internet-based partners, including Web designers who offer value-added services to their small-business customers. Be on the lookout for valuable freebies.

SMART TIP

Many domain registration services offer free or low-cost options such as domain parking, which holds your name until you're ready to launch. E-mail forwarding lets your new domain name receive e-mail, while domain forwarding directs traffic to an existing Web page.

through whatever correspond to each icon on your home page.

④ **Design:** Site design comes next. Whether you're using an outside designer or doing it yourself, concentrate on simplicity, readability and consistency. Give your Web site's visitors cues using graphics, color and fonts schemes that make sense to you. For example, if your site offers pet products, should all of the cat-related text and icons items contain blue while dog items are displayed using red? Should all food text and graphics be green, toys red and accessories yellow?

④ **Navigation:** Make it easy and enjoyable for visitors to browse the site. Use no more than two or three links to major areas, never leave visitors at a dead end, and don't make them back up three or four links to get from one content area to another. Design programs such as Microsoft's

FrontPage Express make it easy to create links to other sites. For example, if you have a Web site for convention planners, make it easy for visitors to link to city sites where they can find information on recreation and activities in the area.

⑤ **Credibility:** Your site should look professional and give potential customers the same feeling of confidence that a phone call or face-to-face visit with you would. In addition, be sure to remind your visitors that your don't exist only in cyberspace. Your company's full contact information should appear on your home page.

Bright Idea

You won't go wrong if you follow three basic design rules:

1. Put the most important pages near the top.
2. Eliminate extraneous words in the copy.
3. Use headlines, icons, bullets, boldface words and color to draw attention to important content.

HANDY TOOLS

There is a wide variety of tools available to help you improve your Web site's appearance. If you're able to master HTML and write a script by yourself, you should consider investing in a copy of FrontPage for \$149 to create and maintain your site.

Another excellent resource is the large online services, which all have free online tools for Web page authoring and site design. Also check out design tools from Tripod (www.tripod.com), with design utilities that allow you to use FrontPage for free; and Angelfire (<http://angelfire.com>), a service with Web-design tools, including a large graphics library. But that old maxim is true: You get what you pay for, and many sites designed from basic templates are slow and humdrum.

Services like BigStep.com, Elated.com, Netfirms.com and WebNow.com offer templates that make their free Web site design programs easy to use with professional-looking results.

HOST WITH THE MOST

Now how does your Web site get on the Net? You get online 24/7 by leasing space on someone else's server or host service. A server is simply a computer that is permanently connected to the Internet.

You connect to a host via the Net using your existing Net provider, then upload your HTML files and graphics in the rented space. From there, anyone can visit your site anytime.

There are tons of hosts, so many that you need a strategy to sort through them. CNet's Web site (www.cnet.com) makes comparison shopping easy. It offers ISP fact sheets that compare hosts on a number of variables, starting with price (most begin at \$50 per month). Other variables are: amount of disk space allocated to you, availability of access logs, number of e-mail autoresponders (automatic e-mail responses to anyone who has e-mailed you) and forwards (e-mails automatically forwarded to a specified address) allowed, customer support availability, database access, uptime (percentage of time that the service is accessible to visitors), setup and monthly fees.

Exactly how much disk space do you need to store your Web site? Generally, 1MB can hold several hundred text pages, or fewer pages when images are included. Web hosts typically offer between 10MB and 35MB of free storage. The better contracts offer 100MB to 200MB of disk space, and they should be adequate for most situations.

KA-CHING!

How will you handle sales? One option is to have your Web host handle your transactions. It can collect the orders, handle credit card transactions, send an automatic e-mail to customers thanking them for their orders, and forward the order to you for handling and shipping.

Another option is to buy an electronic shopping cart program so site visitors can complete the transaction online. However, if all you need to do is verify and accept credit card information for transactions such as conference registration or selling a single item, QuickBooks Pro (from www.quicken.com) may work fine.

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aren't the only things that make Web sites run poorly. Browsers, software that enables Internet users to navigate the Web, differ in how the Web sites they access perform. Netscape Navigator handles Web pages one way, while accessing a site with AOL, CompuServe, Internet Explorer, Mosaic, Prodigy and WinWeb browsers makes some pages look different.

Whenever you have the chance, check your site using computers with different browsers, and note differences in appearance, ease of navigation and speed.

One more thing: If you're checking your site from different computers, you may encounter computer freezes and other glitches. Have your tech whiz fix them. Nothing destroys your credibility like computer mishaps.



Entrepreneur[®]
MEDIA INC.

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IRVINE, CALIFORNIA 92614

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